

EXHIBIT

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Department of the Treasury - Internal Revenue Service
Income Tax Examination Changes

E:2
P.1

Name and Address of Taxpayer THURSTON, CHARLES J. AND THERESE ANN 427 OAK LANE KINGSTON OH 45644-5562		SS or EI Number: 8426	Return Form No. 1040
Person with whom examination changes were discussed		Name and Title JAMES M. CALDWELL, C.P.A.	
1. Adjustments to Income	Tax Year End 12/31/93	Tax Year End	Tax Year End
A. EXEMPTIONS	\$ 1,504.00	\$	\$
B. ITEMIZED DEDUCTIONS	2,207.00		
C. SCH C- MEALS	1,894.00		
D. SCH C- UTILITIES	7,751.00		
E. SCH C- OTHER PHONE/INW/ETC	11,052.00		
F. SCH F- REPAIRS	18,657.00		
G. SCH F- GROSS RECEIPTS	1,875.00		
H.			
I.			
J.			
K.			
L.			
M.			
N.			
O.			
P.			
Q.			
R.			
S.			
2. Total Adjustments	44,940.00		
3. Taxable Income Per Return or as Previously Adjusted	96,380.00		
4. Corrected Taxable Income	141,320.00		
Tax Method	TAX RATE		
Filing Status	JOINT		
5. Tax	36,404.00		
6. Additional Taxes			
7. Corrected Tax Liability	36,404.00		
8. Less Credits			
A.			
B.			
C.			
D.			
9. Balance (Line 7 less total of lines 8A through 8D)	36,404.00		
10. Plus	11,057.00		
A. SELF EMPLOYMENT TAX			
Other			
Taxes			
B.			
C.			
D.			
11. Total Corrected Tax Liability (Line 9 + lines 10A to 10D)	47,461.00		
12. Total Tax Shown on Return or as Previously Adjusted	33,463.00		
13. Adjustments to			
A. Special Fuels Credit			
B.			
14. Deficiency - Increase in Tax or (Overassessment - Decrease in tax) (Line 11 less Line 12 adjusted by Line 13)	13,998.00		
15. Adjustments to Prepayment Credits			
16. Balance Due or Overpayment (Line 14 Adjusted by Line 15) (Excluding Interest and penalties)	\$ 13,998.00	\$	\$

The Internal Revenue Service has agreements with State tax agencies under which information about Federal tax, including increases or decreases, is exchanged with the States. If this change affects the amount of your State income tax, you should file the State form.

You may be subject to backup withholding if you underreport your interest, dividend, or patronage dividend income and do not pay the required tax. The IRS may order backup withholding at 31 percent after four notices have been issued to you over a 120-day period and the tax has been assessed and remains unpaid.

Department of the Treasury - Internal Revenue Service
Income Tax Examination Changes

Name of Taxpayer: THURSTON, CHARLES J. AND THERESE ANN		SS or EI Number: [REDACTED] 8426	Return Form No. 1040
17. Penalties		Tax Year End 12/31/93	Tax Year End
A.		\$	\$
B.			
C.			
D.			
E.			
F.			
G.			
H.			
I.			
J.			
K.			
L.			
M.			
N.			
18. Total Penalties			
19. Underpayment attributable to negligence: (1981 - 1987) An addition to the tax of 50 percent of the interest due on this underpayment will accrue until paid or assessed.			
20. Underpayment attributable to fraud: (1982 - 1987) An addition to the tax of 50 percent of the interest due on this underpayment will accrue until paid or assessed.			
21. Underpayment attributable to Tax Motivated Transactions: TMT Interest will accrue and be assessed at 120 percent of the underpayment rate in accordance with IRC 6621(c).			
Summary of Taxes, Penalties and Interest:			
A. Balance due or Overpayment of Taxes (line 16, page 1)		13,998.00	
B. Penalties (line 18, page 2) (computed to 08/09/98)		6,436.11	
C. Interest (IRC 6601) (computed to 08/09/98)			
D. TMT Interest (computed to 08/09/98 on TMT underpayment)			
E. Amount due or refund (sum of lines A. B. C. and D.)		20,434.11	

Other Information:

This Report Supersedes Report Dated 02/17/98

Examiner's Signature D. HUGEN	District Ohio	Date 04/06/98
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Consent to Assessment and Collection - I do not wish to exercise my appeal rights with the Internal Revenue Service or to contest in United States Tax Court the findings in this report. Therefore, I give my consent to the immediate assessment and collection of any increase in tax and penalties, and accept any decrease in tax and penalties shown above, plus additional interest as provided by law. It is understood that this report is subject to acceptance by the District Director.

PLEASE NOTE: if a joint return was filed, BOTH taxpayers must sign	Signature of Taxpayer	Date	Signature of Taxpayer	Date
By	Title		Date	

9312 SCHEDULE A - ITEMIZED DEDUCTIONS

	PER RETURN	PER EXAM	ADJUSTMENT
1. Medical, dental and insurance premiums	8,836.00	8,836.00	0.00
2. 0.075 of Adjusted Gross Income	10,522.00	13,614.00	
3. Net Medical and Dental Expense	0.00	0.00	0.00
4. Taxes	2,839.00	2,839.00	0.00
5. Home Interest Expense	28,577.00	27,607.00	970.00
6. Investment Interest	0.00	0.00	0.00
7. Other Interest Expense	0.00	0.00	0.00
8. Total Interest Expense	28,577.00	27,607.00	970.00
9. Contributions	4,048.00	4,048.00	0.00
10. Casualty and theft Losses	0.00	0.00	0.00
11. Moving Expenses	0.00	0.00	0.00
12. Miscellaneous deductions subject to AGI limit	0.00	0.00	0.00
13. 0.020 of Adjusted Gross Income	2,806.00	3,630.00	
14. Excess Miscellaneous deductions	0.00	0.00	0.00
15. Other Miscellaneous deductions	0.00	0.00	0.00
16. Total itemized deductions (Sum of Lines 3,4,8, 9,10,11,14, and 15 less any applicable limitation)	34,509.00	32,302.00	2,207.00

ITEMIZED DEDUCTIONS WORKSHEET - PER EXAM

A. Total of lines 3, 4, 8, 9, 10, 11, 14, and 15	34,494.00
B. Total of lines 3, 6, 10, (plus any gambling losses included on line 15)	0.00
C. Line A less Line B	34,494.00
D. Multiply the amount on line C by 80%	27,595.00
E. Adjusted Gross Income from Form 1040	181,518.00
F. Itemized Deduction Limitation	108,450.00
G. Line E less Line F	73,068.00
H. Multiply the amount on Line G by 3%	2,192.00
I. Enter the smaller of Line D or Line H	2,192.00
J. Total Itemized Deductions (entered on line 16 above)	32,302.00

Name of Taxpayer: THURSTON, CHARLES D. AND LINDSEY ANN
 Identification Number: 8426 TOTAL 3.97.02

9312 FORM 6251 - ALTERNATIVE MINIMUM TAX COMPUTATION

1. Total Adjustments and Preferences	2,839.00
2. Tax Table Income (from Form 1040, line 35)	149,216.00
3. Net Operating Loss Deduction	0.00
4. Itemized Deduction Limitation (from Schedule A Worksheet)	2,192.00
5. Combine lines 1 through 4	149,863.00
6. Alternative Tax Net Operating Loss Deduction	0.00
7. Alternative Minimum Taxable Income	149,863.00
8. Exemption Amount	45,000.00
9. Subtract line 8 from line 7 (if 0 or less, enter 0)	104,863.00
10. If line 9 is \$175,000 or less (\$87,500 or less if married filing separate) multiply line 9 by 26%	27,264.00
11. Alternative Minimum Tax Foreign Tax Credit	0.00
12. Tentative Minimum Tax (Subtract 11 from 10)	27,264.00
13. Regular Tax Before Credits (less Foreign Tax Credit)	36,404.00
14. Alternative Minimum Tax	0.00

EXEMPTION WORKSHEET (Line 8)

A. Enter \$33,750 (\$45,000 if married filing jointly or qualifying widow(er), \$22,500 if married filing separate)	45,000.00
B. Alternative Minimum Taxable Income (line 7)	149,863.00
C. Enter \$112,500 (\$150,000 if married filing jointly or qualifying widow(er), \$75,000 if married filing separate)	150,000.00
D. Subtract line C from line B	0.00
E. Multiply line D by 25%	0.00
F. Subtract line E from line A (if zero or less, enter 0)	45,000.00

9312 - TAX YEAR INTEREST COMPUTATION TO 08/09/98

Total Tax Deficiency	13,998.00
Plus Penalties*	
-Overvaluation	0.00
-Substantial Understatement	0.00
-Failure to File	0.00
-Negligence	0.00
-Civil Fraud	0.00
-Accuracy Penalties	0.00
Total Penalties*	0.00

Tax Deficiency and Penalties Subject to Interest 13,998.00

Type	Effective Dates	Days	Rate	Interest
COMPOUND	04/15/94-06/30/94	76	07.00	205.50
COMPOUND	07/01/94-09/30/94	92	08.00	289.28
COMPOUND	10/01/94-12/31/94	92	09.00	332.48
COMPOUND	01/01/95-03/31/95	90	09.00	332.64
COMPOUND	04/01/95-06/30/95	91	10.00	382.61
COMPOUND	07/01/95-12/31/95	184	09.00	721.22
COMPOUND	01/01/96-03/31/96	91	09.00	367.95
COMPOUND	04/01/96-06/30/96	91	08.00	334.05
COMPOUND	07/01/96-12/31/96	184	09.00	785.07
COMPOUND	01/01/97-12/31/97	365	09.00	1,671.27
COMPOUND	01/01/98-03/31/98	90	09.00	435.73
COMPOUND	04/01/98-08/09/98	131	08.00	578.31

Total Interest	6,436.11
Total Underpayment	13,998.00
Total Penalties	0.00

Total Amount Due 20,434.11

Additional interest will be charged at the current rate compounded daily. Interest is charged from the original due date of the return to a date 30 days after an agreement to the additional tax is signed, or to the date of payment, if earlier. Negligence and fraud penalties, if applicable, will also continue to be charged. Generally, if notice and demand is made for payment of any amount, and that amount is paid within 10 days after the date of the notice and demand, interest on the amount paid will not be charged after the date of the notice and demand. Since additional tax is due, you may want to pay it now and limit the interest and penalty charges.

* Interest on penalties became effective 7/19/84 (1/1/89 for Negligence and Civil Fraud) and is computed from the due date of the return unless a valid extension was filed. Extension date: 10/15/94

FORM 886-A

EXPLANATION OF ITEMS

SCHEDULE/EXHIBIT _____

NAME OF TAXPAYER

THURSTON, CHARLES J. AND THERESE ANN [REDACTED]-8426

YEAR/PERIOD ENDED

9312

STANDARD PARAGRAPHS:

	PER RETURN	PER EXAM	ADJUSTMENT
SCH F-GROSS RECEIPTS	1,250.00	3,125.00	1,875.00

In the absence of adequate records, we have computed your taxable income using the bank deposits method shown in the accompanying computation.

	PER RETURN	PER EXAM	ADJUSTMENT
SCH C- UTILITIES	7,751.00	0.00	7,751.00

We disallowed the office-in-the-home deduction because your home is not your principal place of business.

	PER RETURN	PER EXAM	ADJUSTMENT
SCH C- MEALS	1,894.00	0.00	1,894.00

Since you were not away from your tax home when you incurred the travel expenses, they are not deductible.

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE

FORM 886-A (REV 4-68)

FORM 886-A

EXPLANATION OF ITEMS

SCHEDULE/EXHIBIT _____

NAME OF TAXPAYER

THURSTON, CHARLES J. AND THERESE ANN [REDACTED]-8426

YEAR/PERIOD ENDED
9312

STANDARD PARAGRAPHS:

	PER RETURN	PER EXAM	ADJUSTMENT
SCH C-OTHER-PHONE/INN/ETC	15,136.00	4,084.00	11,052.00
The deduction has been adjusted to the amount verified.			

	PER RETURN	PER EXAM	ADJUSTMENT
SCH F- REPAIRS	18,657.00	0.00	18,657.00
Since you did not prove that the amount shown was (a) for repairs, and (b) paid, the amount is not deductible.			

	PER RETURN	PER EXAM	ADJUSTMENT
SCH A- MORTGAGE INTEREST	28,577.00	27,607.00	970.00
We have adjusted your interest expense to the amount verified as paid.			

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE

FORM 886-A (REV 4-68)

Name Of Taxpayer: THORSTON, CHARLES J. AND LINDSEY ANN
 Identification Number: [REDACTED]-8426 TOTAL

3,977.02

9312 PERSONAL EXEMPTION WORKSHEET

1. Multiply \$2,350.00 by the total number of exemptions claimed on Form 1040, line 6e	9,400.00
2. Adjusted Gross Income (Form 1040, line 32)	181,518.00
3. Limitation based on Filing Status	162,700.00
4. Subtract line 3 from line 2	18,818.00
5. Divide line 4 by \$2,500 (\$1,250 if married filing separate)	8.00
6. Multiply line 5 by 2% and enter the result as a decimal	0.16
7. Multiply line 1 by line 6	1,504.00
8. Deduction for exemptions (Subtract line 7 from line 1)	7,896.00

PAYMENT OR INSTALLMENT PLAN

If you agree with our proposed adjustment, to avoid additional interest charges, it is to your advantage to pay the full amount due now. If you are unable to pay the full amount at this time, you may make a partial payment and request, in writing, an installment plan.

Upon receipt of your request, we will either approve a monthly installment plan or ask you to fill out a financial statement that will help us understand your financial condition and ability to pay.

Installment plans are subject to some conditions, such as making payments on time, paying all other Federal taxes on time, and giving current financial information when requested. If we approve an installment plan, we will send you the additional information you will need.

Although the monthly installment plan may be approved, the penalties and interest will continue to accrue on the unpaid balance until the total amount due is paid.